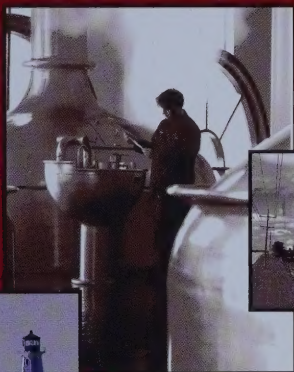
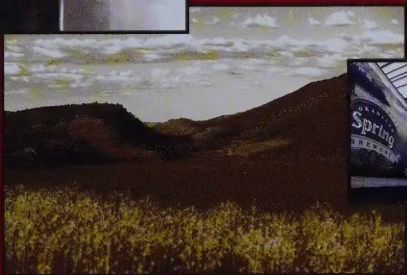
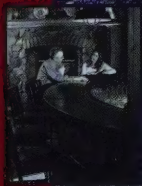
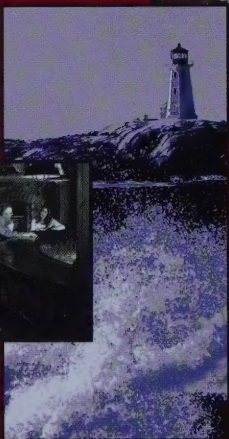


2000-2001 Financial Information
2000-2001 Management
2000-2001 Shareholder
2000-2001 Board of Directors

KNOWLEDGE



SKILL



EXPERTISE



FINANCIAL & OPERATING HIGHLIGHTS

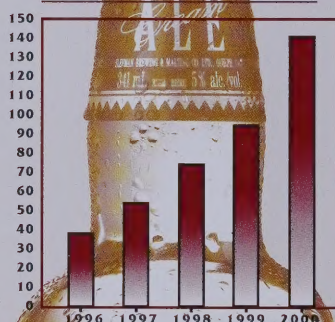
(in thousands of dollars except volumes and per share amounts)

	2000	1999	% Change
Total Volume (HL)*	943,000	539,000	75
Net revenue	141,466	96,110	47
Operating profit (EBIT)	20,092	14,627	37
Net Income	8,969	6,549	37
Earnings per share (fully diluted)	.58	.39	39

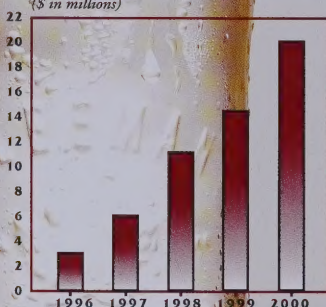
*Includes total Sleeman Breweries Ltd. volume and contract brewing.

FIVE YEAR SUMMARY

NET REVENUE (\$ in millions)

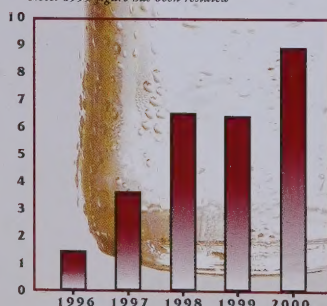


OPERATING PROFIT EBIT
(\$ in millions)



NET INCOME (\$ in millions)

Note: 1999 figure has been restated



SLEEMAN LTD. FINANCE



BREWING FACILITIES

- 1** Okanagan Spring Brewery
Vernon, British Columbia
- 2** Sleeman Alberta Brewery
Calgary, Alberta
- 3** Sleeman Brewing & Malting
Guelph, Ontario
- 4** La Brasserie Seigneuriale
Boucherville, Quebec
- 5** Maritime Beer Company
Halifax, Nova Scotia

DISTRIBUTION

- A** Sleeman Brands
- B** Upper Canada
- C** Okanagan Spring
- D** Shaftebury
- E** Seigneuriale
- F** Stroh Brands
- G** Maritime



SLEEMAN BREWERIES LTD. FAMILY OF BRANDS

Sleeman now has five brand families that are dedicated to regional tastes, two national brands and a growing roster of renowned imports. Our Maritime, Seigneuriale, Upper Canada, Shaftebury and Okanagan Spring brands are sold only in regional markets, where they have strong followings. Our premium Sleeman and value priced Stroh brands are available across Canada. We import and sell Beck's and Samuel Adams beers across Canada, while Scottish and Newcastle brands are available in Western Canada.



Cream Ale, Honey Brown Lager, Silver Creek Lager, Original Dark, Steam Beer, Premium Light



UC Lager, UC Dark Ale, UC Wheat Lager, UC Light Lager, UC Maple Brown Ale, UC Point Nine, Rebellion Lager



Extra Special Pale Ale, Premium Lager, Honey Blonde Ale, Classic Nut Brown Ale, Old English Porter



Cream Ale, Rainforest Amber Ale, Summer Solstice Ale, Winter Solstice Ale, Honey Pale Ale



Seigneuriale, Seigneuriale Blonde, Seigneuriale Triple, Seigneuriale Reserve



Stroh, Old Milwaukee, Rainier, Colt 45, Red Bull, Bull Max, Olympia, Lone Star



Black Pearl Ale, Halifax 1749



SLEEMAN BREWERIES LTD. AT-A-GLANCE



With the September 2000 acquisition of Maritime Beer Company, Sleeman Breweries Ltd. has truly become Canada's only brewer of craft beers with national reach. The Company now has brewhouses in Halifax, Nova Scotia; Boucherville, Quebec; Guelph, Ontario; Calgary, Alberta; and Vernon, British Columbia. Sleeman's portfolio of exceptional regional brands, world-class imported beers, and the nationally popular Sleeman and Stroh brands is now available in both take-home and on-premise markets in every province.

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BREWING FACILITIES

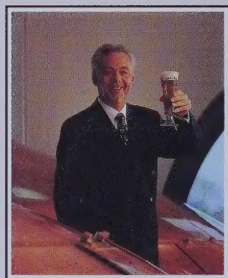
- 1** Okanagan Spring Brewery
Vernon, British Columbia
- 2** Sleeman Alberta Brewery
Calgary, Alberta
- 3** Sleeman Brewing & Malting
Guelph, Ontario
- 4** La Brasserie Seigneuriale
Boucherville, Quebec
- 5** Maritime Beer Company
Halifax, Nova Scotia

DISTRIBUTION

- A** Sleeman Brands
- B** Upper Canada
- C** Okanagan Spring
- D** Shaftebury
- E** Seigneuriale
- F** Stroh Brands
- G** Maritime



2000 CHAIRMAN'S MESSAGE TO SHAREHOLDERS



The past year was a turning point for Sleeman, marked by a number of significant achievements. We undertook several important growth initiatives to enhance the Company's position, as we focused on premium and value priced products. The effort and commitment by each of our dedicated employees resulted in another year of record operational and financial performance and is a testament to the knowledge, skill and expertise exhibited by the entire Sleeman group.

By any measure, our performance set new benchmarks of excellence as sales increased 47 per cent and net income grew 37 per cent. More importantly, it validates our business plan – to develop a number of strong regional brands, supported by popular national brands and an excellent distribution system.

In the third quarter we announced the acquisition of Maritime Beer Company, based in Halifax, Nova Scotia. This strategic initiative is an important part of our national expansion plan. It also provides Sleeman with yet another high quality platform to increase penetration of our national brands. In addition, Maritime Beer's modern brewhouse brings an additional 80,000 hl of capacity, which we will fill in the near future. I would also like to take this opportunity to again welcome the management and employees of Maritime Beer to our family.

Sleeman can now boast a truly national presence in Canada with the necessary critical mass to sustain further expansion. As we enter 2001, we have the momentum to enhance the growth levels we have achieved in our short history as a public company. We will continue to build upon the foundations of the Company, consisting of strong brand equity built up in our national brands, plus a vastly improved distribution system that ensures our products are available in all our markets. In addition, we benefit from the expertise available from our regional breweries, which affords us valuable local-market knowledge and enhances our ability to compete. The final piece of the puzzle is Sleeman's strong national sales force, which has the expertise to ensure our premium and value priced products penetrate all key markets.

Our national presence affords Sleeman the infrastructure in sales, marketing and distribution necessary to obtain a partnership with other international brewers, who desire access to the Canadian market. We succeeded in attracting several to our company in 2000 and would expect to continue supplementing our portfolio in future years, with complementary high-potential import brands.

The Stroh portfolio has surpassed our growth expectations -- a clear indication we have a firm base from which to proceed with further brand expansion. Management is pleased to report the integration of Stroh continues to proceed ahead of schedule. In Quebec we had a challenging year as we faced strong competition from several leading imported brands. In 2001, we expect that Sleeman products will benefit from the combined sales and distribution networks set up by the company and its distribution partner.

We also expect La Brasserie Seigneuriale, our Quebec regional brewer of Belgian Abbey-style beer, to benefit from the improved distribution network. In the longer term, Seigneuriale's facilities will play an important role in enhancing Sleeman's presence in the province.

GROWTH STRATEGIES BUILDING VALUE

Our short-term goals are simple. We will maintain our focus on integrating the Maritime Beer Company and increasing Stroh production at our facilities in Canada. We believe that this is the fastest way to capture all the benefits available through the Company's increased size and critical mass. We also continue to optimize operations to generate the maximum possible return on investment.

As well, we are delivering on our strategy of forging partnership agreements with international brewers to market their products in Canada. We believe a major driving force in Sleeman's success is sound long-term planning and managing for growth. Earlier this year we announced a partnership with The Boston Beer Company, the largest craft brewer in the U.S., to market their flagship Samuel Adams brand in Canada.

In the third quarter, Sleeman completed an agreement to represent Scottish & Newcastle beer in Western Canada. Scottish & Newcastle is headquartered in Edinburgh, Scotland and is one of the world's largest breweries. The agreement focuses on selling, marketing, customer service and distribution of the Scottish & Newcastle super-premium brands through the Okanagan Spring brewery.

Most recently we signed an agreement with Beck's North America, where Sleeman obtained exclusive sales, marketing and distribution rights to represent their portfolio of brands across Canada. Beck's is Germany's largest export brewery and produces a world class pilsner. In fact, one of every three German beers consumed around the world is Beck's.

Like Samuel Adams and Scottish & Newcastle, Beck's represents a premium product and is an excellent addition to our existing portfolio. It also points to Sleeman's internationally-recognized ability to represent prominent foreign brands in Canada. As we move forward and grow, we will continue to look for more of these arrangements.

LOOKING AHEAD

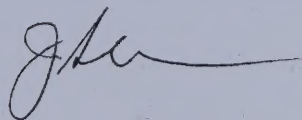
We will largely complete the full integration of the Stroh portfolio into our production facility during 2001. This will afford Sleeman the security of supply and distribution access critical to building these important brands. Additionally, Sleeman will continue to focus on enhancements to our distribution capabilities either by joint venturing with other partners or owning our own distribution. Look for continued aggressive market investments and integrated selling efforts to be sustained during 2001.

Finally, we continue to look for complementary acquisitions as we maximize the advantages of the consolidating beer market.

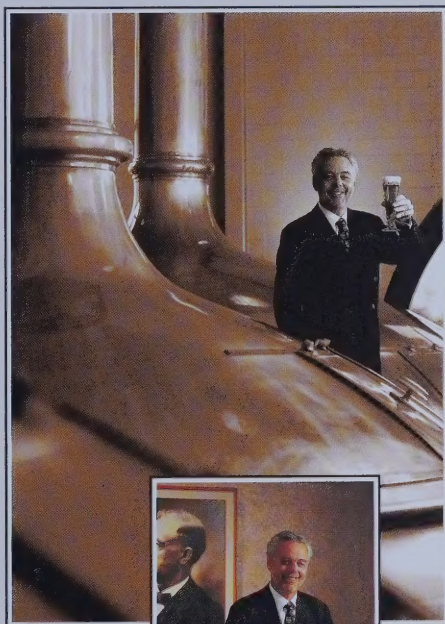
On behalf of the Board of Directors, I would like to close by thanking our customers, employees and shareholders for their support. We will continue to cultivate a strong spirit of innovation as we build on Sleeman's position as Canada's third largest brewer focusing on the high growth sectors of the beer market.

As always, I remain,

Yours sincerely,



John Sleeman
Chairman & CEO



John W. Sleeman
Chairman & CEO

MESSAGE TO SHAREHOLDERS



Doug Berchtold
President & COO

Sleeman is a company committed to consistent growth, and as such we plan to consolidate and build upon our strong positions in the high-growth categories of premium and value priced beer. In 2001, our operational focus will be on integrating the Maritime Beer Company and completing the Stroh integration by increasing the proportion of Stroh produced in Canada. We believe this is the fastest way to capture the strategic benefits of the Company's increased scale and critical mass, while simultaneously minimizing purchasing, operating and distribution costs to generate the maximum possible return on our shareholder's investment. I would also like to note that there are occasions where it still makes sense to outsource production of certain brands within the Stroh portfolio, as they are not sold in sufficient quantities to warrant setting up production in Canada. We are fortunate to enjoy this flexibility, as it affords the opportunity to maximize profit opportunities for this portfolio.

We are also actively searching for attractive new partnerships with international brewers to market their products in Canada and grow our business. We believe this also is an effective way to leverage our national sales, marketing and distribution capabilities.

During 2001, we expect to enhance Sleeman's dominant position in the Canadian value and premium beer categories. We will capitalize on the significant experience and knowledge gained from past acquisitions and apply our skills towards future capacity expansions. In addition, we have not yet closed the book on making further strategic acquisitions and remain alert to opportunities where we can introduce our products into new markets, or improve penetration.

We believe these plans will result in yet another year of record financial performance in 2001. Furthermore, we believe these results will eventually be recognized in our stock price. With the preoccupation with technology stocks dissipating, investors will seek well-managed profitable companies. In such a market, Sleeman will provide a very attractive investment.



During 2000 the Eastern Division integrated 125,000 hl's of Stroh production into the Guelph facility and expect to increase this number further in 2001. We also completed a strategic redesign of Upper Canada packaging in an effort to make the brand more approachable, while maintaining its craft heritage. In Quebec, we strengthened our sales and marketing capabilities by switching from a contract arrangement to an internal team of sales professionals. This will strengthen Sleeman brands in all sales channels. In the Maritimes, Sleeman capped a banner year with the acquisition of The Maritime Beer Company and our principal objective is to fill capacity at the brewery. By producing Stroh product in the brewery, we eliminate costs associated with transporting it from Guelph, substantially improving margins. In addition we expect to use this label as a springboard to expand the national Sleeman brands in that market.

We have a number of priorities for 2001. Foremost among them is completion of the new canning line at the Guelph facility. When finished, it will enable us to increase Stroh production while benefiting from substantial cost savings. In addition, we expect to upgrade production in the Seigneuriale brewery to improve output. While small, this specialized niche brewery is able to produce more complex craft beers in smaller batches for other markets, while maintaining reasonable margins. With the new sales and marketing teams in Quebec and the Maritimes we expect continued growth of all brands in both the premium and value priced segments.

In the Western Division, much of 2000 was focused on integrating the Sleeman/Stroh sales forces and streamlining distribution systems in Manitoba, Saskatchewan, Alberta and British Columbia. We also took steps to optimize production at the Vernon brewhouse and integrated a substantial amount of Stroh product. A keg line was added to the Calgary facility to meet increased demand for Sleeman Cream Ale and Honey Brown in the Alberta market. This increased demand is largely attributable to the stronger sales force we now have in that province. Shaftebury also launched two new seasonal beers, Summer and Winter Solstice, with considerable success.

In 2001 we are planning to build on previous marketing campaigns with a creative redesign of the Okanagan Spring and Shaftebury brands and a renewed advertising campaign. By re-launching brands with new packaging we expect to create renewed excitement in the brand and improve on last year's growth in market penetration. Also on the marketing front, we expect to rollout a focused marketing plan for Scottish & Newcastle, Sam Adams and Beck's.

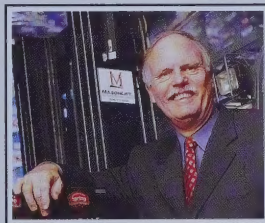
Our team is firmly committed to bringing down operating costs as we profit from increased synergies from the Stroh acquisition. Sleeman is also implementing new sales management and database programs to expand customer service and improve distribution.

For the Stroh Division, 2000 was Sleeman's first full year of operational control over the Stroh portfolio. Accomplishments during this period included moving production of industry standard bottles into the Guelph brewhouse and integrating the sales forces in Western Canada. In Quebec, we focused on combining various independent sales and distribution operations into one unified structure, vastly improving our ability to compete in that market.

In 2001, Sleeman will make its first foray into the U.S., benefiting from our partnership with The Boston Beer Company. Already, we are shipping and marketing core Sleeman brands to select markets on the east coast. As the imported beer market in the U.S. continues to rapidly grow, we expect to continue securing key distribution partners to meet expansion needs.



Peter Amirault
Managing Director
Eastern Canada



Rick Knudson
Managing Director
Western Canada



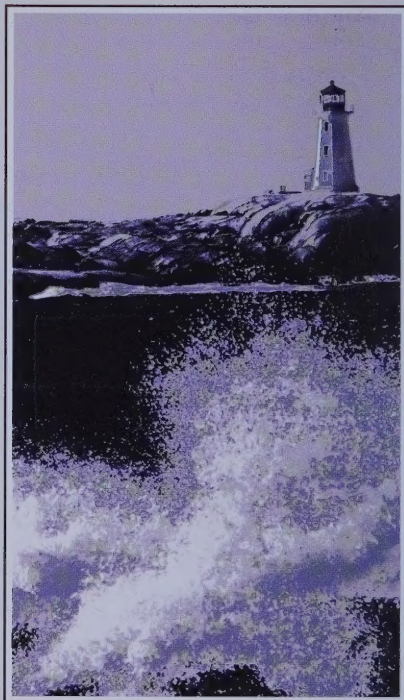
John Driggers
Managing Director,
Stroh Canada

SLEEMAN'S BREW HOUSES:

Since the beginning, our brewers have been devoted to the art and science of creating distinctive flavours for our consumers. With the acquisition of the Maritime Beer Company, Sleeman Breweries Ltd. now has six master brewers across the country with a combined experience of 90 years. This expertise is central to our core philosophy of cultivating a family of premium brands that match local tastes. Many of our senior management had extensive industry experience elsewhere before joining Sleeman – experience that gives them the strong instincts about taste and brewing that are critical to premium beers.

This network of local production facilities and brewing expertise is the foundation for Sleeman's strong national brewing platform. The brewing expertise in our regional breweries is often shared with our brew houses elsewhere. The plant manager at our newly acquired Maritime Beer Company facility is a beer industry veteran and former quality assurance manager at our Sleeman plant in Guelph. It was our Guelph master brewer's previous expertise with the Stroh portfolio that enabled us to start producing Stroh beers to their high quality standards in the spring of 2000.

We intend to continue to build upon the unique strengths established by our combined local and national focus so that all our regional markets have a wide choice of premium products each with their own distinctive characteristics.



Maritime Beer Co



Bill's family roots in the Maritimes go back to the 1600s. He joined the brewing industry right after university and has held many beer production positions – from lab technician to brewing manager. This makes Bill a key resource as we launch production of some of our national brands at Maritime Beer's Halifax plant. And Bill's long-standing ties to the region help us make sure that Sleeman's local Maritime specialties remain popular.

Halifax, NS - Bill Jamieson
Boucherville, PQ - Eric Lavallee
Guelph, ON - Ed McCallum
 - Mike Fletcher
Calgary, AB - Doug Freeze
Vernon, BC - Stefan Tobler

RETAIL SELLING

While much competitive energy is expended on licensee sales, it is the retail environment that dictates the ultimate success or failure of a brand. We now have the ability to fill a retailer's shelves with a solid portfolio of value priced, premium and imported beers in each market.

Our Stroh brands fill a gap in the fast growing value priced end of our retail portfolio. Our nationwide retail sales presence gives us a strong edge in building the shelf presence of the Stroh brands. We are also achieving greater retail economies of scale as we spread our national brands across the country. For example, retail point-of-sale promotional materials for many of our brands are produced in one location to ensure consistency and cost-effectiveness.

Local knowledge is also important to the success of our retail sales. One factor here is understanding the variety of different regulations covering retail beer sales in different provinces. Quebec, Alberta and British Columbia have privately owned retailers necessitating a large investment in retail sales effort, while Ontario, the Prairies and Maritime retail sales are restricted to government-controlled outlets and thus more influenced by consumer driven marketing investment.

In many provinces Sleeman has a dedicated retail sales team separate from licensee sales. The fact that we have a dedicated sales force in each of our main markets allows us to respond well to local competition. We have built this resource aggressively so that it is now one of our key strengths. In 2000, we added 50 people to our Quebec sales team alone. In total, Sleeman now boasts a sales force of 110 dedicated sales representatives located coast to coast.

The sum of our local focus is a national platform that makes our foreign strategic partners confident that we can successfully support their brands in each unique Canadian regional market.



Brasserie Sleeman

val, Quebec



NATHALIE VILLEMAIRE

Nathalie is a Quebec native and has been a Sleeman Brewery sales representative since April 2000. Before joining Sleeman, Nathalie had four years' experience marketing and selling wine in the retail, hotel and restaurant markets. Such experience is invaluable to Sleeman in Quebec, one of the more open provinces when it comes to retail alcohol sales. Nathalie has the connections and the experience with innovative sales campaigns that the diverse Quebec market demands.

A FEW OF OUR RETAIL SALES REPRESENTATIVES

*Laval, PQ - Nathalie Villemaire
Guelph, ON - Andy Fagnoli
Calgary, AB - Kristina Mazzuto
Vernon, BC - Michelle Glover*

MARKETING

We have autonomous regional marketing hubs in Vancouver, Guelph and Laval. Sleeman feels such autonomy is important because senior management at each of these hubs knows best how to allocate a regional marketing budget between our national and regional brands. Those budgets are determined by the sales growth and profitability in each region.

Our local/national brand mix offers our marketing teams the diverse challenges of building recognition of our regional brands, while leveraging their experience in successfully placing our national brands locally. Here again, the fact that we are at different stages of evolution in each of our regional markets becomes a competitive strength on a national scale. As the marketing of our national Sleeman brand is at an earlier stage in Western than Eastern Canada, we may adapt national brand campaigns that worked well in more established markets like Ontario.

Local brand marketing knowledge is also shared across our Company. Marketing teams for Shaftebury and Upper Canada – brands that are aimed at similar consumers in each of their markets – can share experience on what kinds of marketing campaigns have worked. This expertise in other local markets is proving invaluable in Sleeman's marketing of its Maritime Beer brands.

While Sleeman has had a high profile in the premium beer market, we will not rest on our laurels. In fact, we expect to continue to substantially boost marketing spending in 2001. Other premium brands have begun to market more aggressively and Sleeman is committed to maintaining its solid awareness levels with our target consumers.



Sleeman Bre

g & Malting, Guelph, Ontario



PAUL BRENNAN

Paul's been with Sleeman since January 1999 and oversees Sleeman brand positioning across Canada. Paul also oversees marketing of Upper Canada in Ontario and manages marketing for the Maritime Beer Company. Paul's experience in Ontario – our highest volume and best-developed market – gives him an excellent background when it comes to positioning Sleeman in newer markets. He can also apply that experience in developing marketing campaigns for the Maritime Beer Company.

SENIOR MARKETING PERSONNEL

Eastern Canada - Paul Brennan

Quebec - Eric Vincent

Western Canada - Steve Pelkey

Imports - Bill Lisowsky

LICENSEE SALES

While retail sales are 80% of overall beer sales volumes, licensee sales provide a great opportunity for consumers to try Sleeman products. It is at a pub or restaurant that most mainstream beer drinkers will first taste a premium beer – an experience that may prompt them to move up the value chain in their retail beer purchases.

Sleeman's local presence is a critical competitive strength against the major, mainstream brands that have much larger licensee promotional budgets. Our local sales reps build close relationships with licensees and help show them that selling our premium beer can make good business sense. The fact that we have the largest dedicated premium beer sales force in Canada has also convinced premium foreign brands to partner with us to effectively leverage their Canadian presence.

We select our licensees carefully and work with them closely to ensure that what may be a consumer's first encounter with a Sleeman brand is an enjoyable and memorable one. The atmosphere must reinforce the premium image we are trying to create for the Sleeman brands available in that pub. Our high-quality licensee promotional materials also support this. Finally, our local sales reps are close enough to the licensees to respond quickly with trade promotions and supplies of promotional materials when a licensee inevitably shows success when promoting our brands.



Sleeman Brewery

Calgary, Alberta



NADINE HARRIS

Nadine oversees licensee sales in the high consumption markets of Banff, Canmore and downtown Calgary. Previous experience as a bartender and in managing her own business helps her understand the needs of our licensees. That in turn helps Nadine build the licensee relationships that are so important to Sleeman in this market segment. For our licensees, Nadine is someone who understands the bottom-line imperatives of running a business and someone who can help them use promotional materials to move more Sleeman product across their counters.

A SAMPLE OF OUR NATIONAL LICENSEE SALES FORCE

Halifax, NS - Mike MacDougall
Laval, PQ - Sacha Leemburg
Guelph, ON - Stephen Gray
Calgary, AB - Nadine Harris
Vancouver, BC - Rob Jeeves

DISTRIBUTION

National distribution of our Sleeman brand has traditionally been expensive, but this situation improved dramatically with our mid-1999 acquisition of Canadian rights to Stroh's. As we have ramped up production in selected facilities, we have been able to make much more cost-effective use of our distribution network.

As a result, trucks can now leave our breweries with a mixed load of brands. The addition of Stroh allows our trucks to make product drops at a greater number of accounts, substantially reducing delivery costs. Taking on the Stroh's brands also helped justify our move in 2000 to take increased control of distribution in each of our top four beer markets.

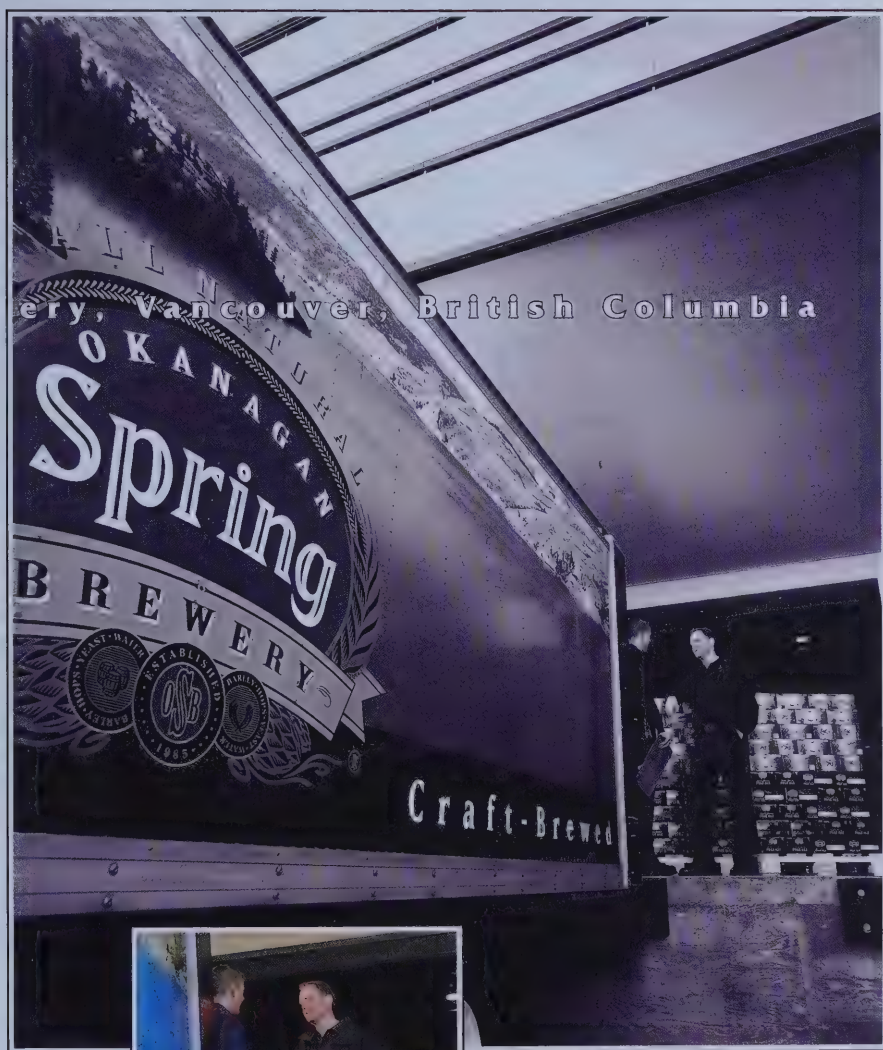
To allow further economies of scale, we have invested in new Company-owned warehouse locations in Victoria, Vancouver and Guelph. Each of these facilities provides better access for our trucks and more cost-effective delivery scheduling.

As we move into 2001, we anticipate more evolution on the distribution front – this time on a north-south, rather than an east-west axis. In 2001, we will begin selling Sleeman beer in the U.S. through our marketing partner there, The Boston Beer Company.



Okanagan Springs

rew ery, Vancouver, British Columbia



DOUG WALCHUK

An Okanagan local, Doug joined Okanagan Spring in 1992. He's helped build the company's production capacity to 75 SKUs. Doug's first association with Sleeman was in 1996, when he founded and ran Sleeman's first foray into the BC beer market, West Coast Beverage Distributors Ltd. Not content with working experience alone, Doug has also studied warehouse management and logistics. His knowledge was essential as we launched our new Vancouver distribution facilities in 2000.

KEY DISTRIBUTION EMPLOYEES

Halifax, NS - Charlie Lahey
 Laval, PQ - Johanne Farkas
 Guelph, ON - Joe McCarney
 Calgary, AB - Gary Neiman (Sokil)
 Vancouver, BC - Colleen Argue
 Vernon, BC - Kim Arih

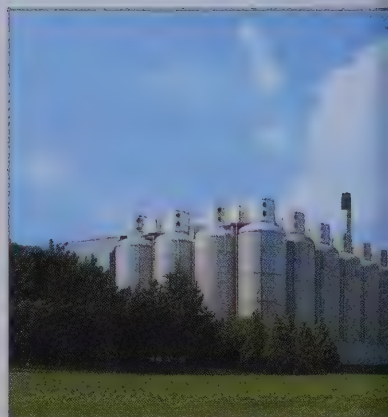


BECK'S:

Sleeman acquired the Canadian sales, marketing and distribution rights for Beck's beers in November 2000. Beck's was established in 1873 in the northern German city of Bremen – a city with a 1,000-year-old beer-making tradition. Today, Beck's is Germany's largest export brewery and Beck's beers are enjoyed in some 120 countries on all five continents. One in three German beers consumed around the world is Beck's, making Brauerei Beck & Co. Germany's leading export brewery by a considerable margin. Sleeman Breweries distributes Beck's and Beck's Non-Alcoholic beer across Canada. Backed by the well-known German commitment to quality beer, Beck's is a good complement to Sleeman's own premium brand family and further strengthens our leadership position in the premium beer category.

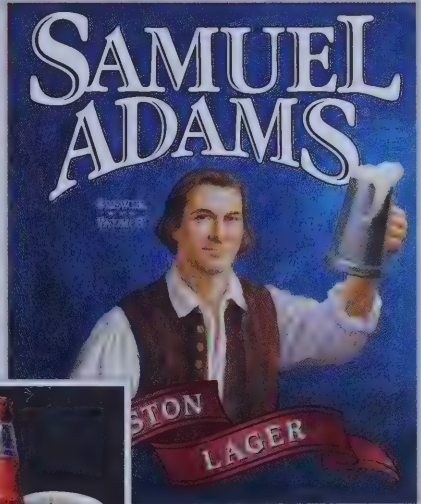
SCOTTISH & NEWCASTLE:

Sleeman represents all Scottish & Newcastle beer brands in Western Canada through Okanagan Spring Brewery, located in Vernon, BC. Scottish & Newcastle is one of the world's largest breweries and is headquartered in Edinburgh, Scotland. The company traces its roots to the founding of the William Younger brewery in Scotland in 1749 and is the largest company based in Scotland. Its portfolio of super-premium brands include Newcastle Brown Ale, McEwan's Scotch Ale, Younger's Tartan Special Ale and Beamish Genuine Irish Stout. Last year in the U.S. alone, the Company sold the



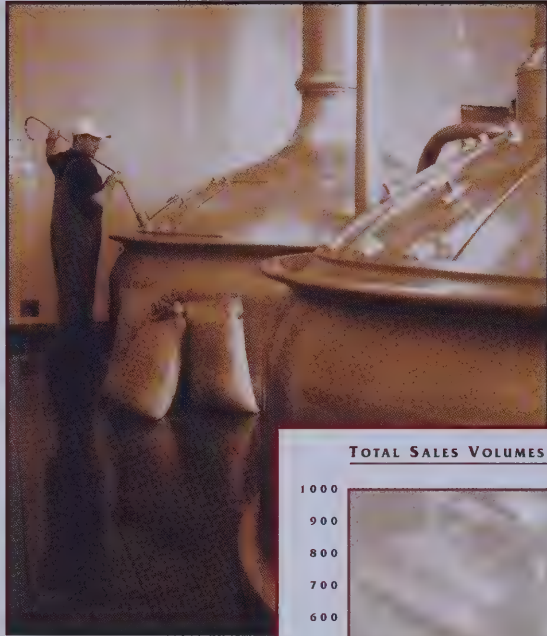
BOSTON BEER:

Sleeman represents Samuel Adams beer in Canada on behalf of The Boston Beer Company of Boston Massachusetts (NYSE:SAM). The Boston Beer Company is among the 10 largest brewers in the United States and sold in excess of 1 million barrels in 1999 – including 18 Samuel Adams brands. Samuel Adams beer has won awards around the world, including 30 awards at the 1998 Australian International Beer Awards. The Boston Beer Company traces its roots back to Samuel Adams himself, an 18th century brewmaster and American Patriot. Reflecting its craft beer emphasis, current senior management traces its roots back to the mid-1800s, when family ancestors first arrived in the U.S. from Bavaria and began brewing beer in the Boston area. The strategic alliance between the largest craft brewers in Canada and the U.S., respectively, offers great synergies in terms of market knowledge and leverages our mutual capabilities.

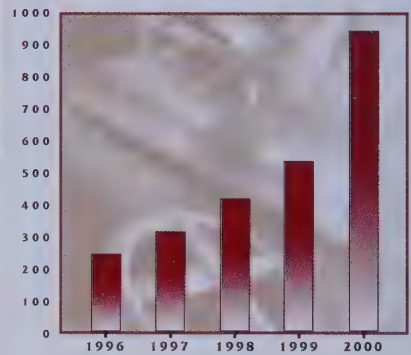


equivalent of more than three million cases of its flagship brand Newcastle Brown – up from just 400,000 cases seven years earlier. The partnership is a great fit because imported beer brands are the fastest growing category in Western Canada. Okanagan Spring has the strong sales and distribution network – supported by brand new Vancouver warehouse facilities – to help Scottish & Newcastle tap that growth.





TOTAL SALES VOLUMES (thousands of hectolitres)



In 2000 our sales volume grew to 948,000 hectolitres from 589,000 hectolitres in 1999 due largely to the Stroh acquisition.

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Officers & Directors

MANAGEMENT DISCUSSION AND ANALYSIS

The following comments provide a review of the activities, results of operations and financial condition of Sleeman Breweries Ltd, for the twelve months ended December 30, 2000 in comparison with the twelve months ended December 25, 1999. These comments should be read in conjunction with the consolidated financial statements and accompanying notes. Unless otherwise noted, all amounts included herein are expressed in Canadian dollars.

DESCRIPTION OF BUSINESS

The Company markets, sells, produces and distributes bottled, canned and draft premium beer under the Sleeman, Upper Canada, Seigneuriale, Okanagan Spring, Shaftebury and Maritime Brewery brand names. In addition, by virtue of a license agreement, the Company imports, produces, distributes, markets and sells "value beer" brands under the Old Milwaukee, Rainier, Colt 45, Stroh, Pabst, Schlitz, Bull Max, Olympia, Lone Star and Big Bear brand names (the "former Stroh brands"). The Company's products are primarily sold in the four largest beer markets in Canada: Ontario, Quebec, British Columbia and Alberta, though the Company's products are available in all Canadian provinces. The Upper Canada, Seigneuriale, Shaftebury, Maritime Brewery and Okanagan Springs brands are regional premium brands. Upper Canada is sold in Ontario, Seigneuriale is sold in Quebec, Maritime Brewery brands are sold in the Maritime provinces and Okanagan Springs and Shaftebury are sold in British Columbia, Alberta, Saskatchewan and Manitoba.

Distribution occurs through the Brewers Retail and the Liquor Control Board in Ontario and the Liquor Distribution Branch in the province of British Columbia. In the provinces of Alberta, Manitoba and Saskatchewan, the Company relies on outside agents to make local distribution arrangements. In Quebec, products are distributed through third party agents. In the Maritime provinces, local liquor boards distribute and retail our products.

REVIEW OF OPERATIONS 2000/1999

Sales volume is reported on a hectolitre basis-one hectolitre is approximately 12.2 cases of 24 bottles.

Sales volume increased by 75% from 539,000 hectolitres in fiscal 1999 to 943,000 hectolitres in fiscal 2000. 397,000 hectolitres of this increase of 404,000 hectolitres resulted from higher Stroh volumes in 2000 over those in 1999. The majority of this Stroh volume increase is the result of the Company selling a full year of volumes for these brands in 2000 compared to selling only three months volume in 1999. There were no material effects from the acquisition of the assets of the Maritime Brewery in Halifax, Nova Scotia on sales volumes in the year.

Net revenues of \$141.5 million for the year ended 2000 were up 47% over net revenues of \$96.1 million in fiscal 1999. This increase can be explained based on the following factors. Firstly, the 75%-volume increase noted above increased net revenues. Second, price increases in various markets increased net revenue by an equivalent of 2%. The positive net revenue effect of these items was offset by the impact of the former Stroh brands comprising a significantly higher percentage of 2000's volumes compared to 1999. The heavier weighting in lower revenue per hectolitre brands reduced the percentage increase in net revenue by 30%.

Looking ahead, the Company expects net revenues to increase significantly in 2001 due to increases in volumes for most of its brands in most of its markets. Net revenue will benefit

further from favourable price trends in all of the Company's major markets and higher revenues from the various premium import representation agreements now in place.

Costs of goods sold were \$78.3 million in 2000 compared to \$48.1 million in 1999. The increase of \$30.2 million (63%) would have been \$13.6 million higher if not for the change in reporting of government taxes noted above. The comparable increase would have thus been 91%. This increase in cost of goods sold is primarily the result of the volume increase in the year and marginally higher per unit production costs in the year. For 2001, the company will continue to focus on integrating more production of the former Stroh brands into its plants in Ontario and British Columbia. Notably, the addition of the new can line in Ontario is expected to reduce per unit costs substantially over the long term. It is expected that these initiatives will reduce per unit production costs on all major brands.

Average gross margin per hectolitre was \$67 compared to \$89 in 1999. As in 1999, this reduction in average margin was entirely due to the effects of the increase in the proportion of total volume of company sales attributable to lower margin former Stroh brands to the Company's sales mix in 2000. Excluding the impact of these new brands, the Company's average gross margin per hectolitre would have remained at \$106 per hectolitre as favourable premium pricing was offset by higher per unit production costs and a modest mix shift to lower margin premium brand sales in Western Canada. For 2001, the Company expects total gross margin and average gross margins per hectolitre to both increase materially due to favourable pricing trends in all major markets and due to the effects of further production efficiencies to be generated by the next phase of in-sourcing of the former Stroh brands. By the end of 2001, the Company expects to be producing 80% of the former Stroh brands in house.

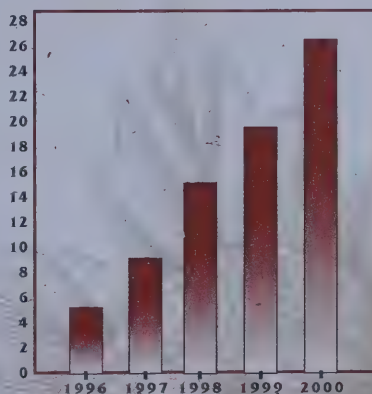
Selling, general and administration expenses for fiscal 2000 increased to \$36.7 million from \$28.4 million. The increase of \$8.3 million was almost entirely due to the fact that the company incurred a full year of selling and marketing expenditures for the former Stroh brands in 2000. Only three months of such expenditures were incurred in 1999.

EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") rose to \$26.5 million in 2000 compared to \$19.5 million in 1999 with average EBITDA per hectolitre decreasing to \$28 per hectolitre from \$36 per hectolitre. The Company expects total EBITDA to increase substantially again in 2001 due to expected volume increases in both eastern and western Canada, favourable pricing environments in all major markets and further efficiency gains in the company's plants resulting from the continued integration of the former Stroh brands.

Depreciation and amortization increased to \$6.4 million from \$4.9 million last year. This increase resulted from the depreciation of the significant capital property additions made by the Company in 2000 and from the full year effects of the amortization of the former Stroh brand license in the year. Only three months of amortization of this intangible asset were included in the 1999 amount.

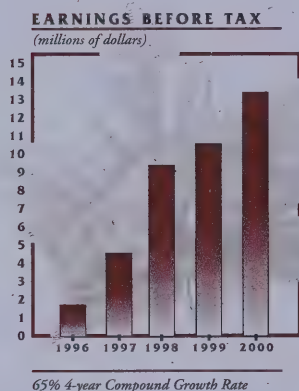
Interest expense increased to \$6.8 million from \$3.8 million in 1999. \$2.0 million of this increase was a result of the Company paying interest on the loan obtained to purchase the former Stroh brand license in

EBITDA (millions of dollars)



48% 4-year Compound Growth Rate

1999 for a full year in 2000. There was three months' interest on this loan included in the 1999 results. The remainder of the increase relates to interest costs on operating and fixed term loans used to fund working capital and fixed asset investments related to the significantly higher sales and production volumes in the year.



Income tax expense, at \$4.3 million, was equivalent to the restated 1999 amount. The 1999 amount has been restated to increase the income tax expense by \$0.9 million from the amount previously reported as a result of the Company's mandatory retroactive adoption of the new accounting standard for future income taxes in 2000. More details on this accounting change are included in the notes to the Company's audited financial statements. The Company's effective tax rate in 2000 was 33%. This rate is lower than the Company's expected long term effective tax rate of 35% as the Company benefited from the favourable impacts of substantially enacted tax rate changes by various governments in 2000.

Net earnings available to shareholders was \$9.0 million or \$0.58 per diluted share in 2000, compared to a restated \$6.5 million or \$0.41 per share in 1999. The 1999 net income and fully diluted earnings per share figures have been reduced for the effects of the above noted income tax expense change. Diluted earnings per share have been calculated in 2000 using the new accounting standard for diluted earnings per share adopted by the Company in 2000. The 1999 figure has been recalculated using this same standard. More details on this accounting change are included in the notes to the Company's audited financial statements.

On a per hectolitre basis, the Company earned \$10 per hectolitre in 2000 compared to \$12 (restated) per hectolitre in 1999. The disproportionate volume increase in lower profit per unit former Stroh brands led to this overall per unit decrease.

FINANCIAL POSITION

The Company's working capital (current assets less current liabilities) moved to a deficit position of \$1.8 million at year end compared to a positive balance of \$2.7 million at the end of the preceding year. The reason for this change was the fact that the \$8.6 million increase in the current portion of long term debt substantially exceeded the increase in the Company's current assets.

Current assets increased by \$3.9 million as the Company had significantly higher Stroh accounts receivable balances at the end of 2000, notably in Quebec.

Property, plant and equipment increased by \$9.8 million (net of depreciation). As in 1999, the Company spent heavily in the year in increasing capacity and efficiency at its Vernon, British Columbia and Guelph, Ontario plants. The Company will spend approximately \$7.5 million in 2001 to complete its new can line in Guelph and to further increase fermenting and ageing capacity in both eastern and western Canada. This increased capacity will be used to in-source more former Stroh brand volume in 2001.

The increase in long term investments was a result of the Board's decision to lend certain executive officers \$4.8 million on an interest bearing basis to purchase shares of the Company on the open market. The Company's Compensation Committee of the Board of Directors determined that this was a cost effective manner to incent key managers to further maximize shareholder value over the long term. Details of this investment are included in the notes to the Company's audited financial statements.

Intangible assets decreased by \$2.5 million due to the effects of the amortization charged to earnings by the Company in the year. The prior year's intangible asset balance has been restated downward by \$1.9 million as a result of the change in accounting for future income taxes adopted by the Company in 2000 and applied retroactively to 1999.

LIQUIDITY AND CAPITAL RESOURCES

Long term liabilities (including the current portion) increased by \$8.9 million in the year. \$4.8 million of this increase resulted from loans obtained to finance the increase in long term investments noted above. The remainder of the increase arose from the effects of the \$10.5 million of new borrowings used to fund fixed asset purchases in the year net of \$6.7 million of principal repayments made in the year. The Company expects its long term liabilities to decrease by approximately \$7.0 million in 2001 as principal repayments of \$15.5 million will be offset by \$7.5 million of new bank borrowings to finance 2001 capital asset expenditures.

Share capital decreased by \$1.3 million to \$38.2 million. Share capital decreased by \$2.0 million due to the Company's repurchase of 800,000 common shares under its Normal Course Issuer Bid in the year for a total cost of \$5.2 million. The remaining \$3.2 million of this cost has been charged against retained earnings in the year. Share capital increased by \$.7 million on the issue of 100,000 shares from Treasury on the acquisition of the assets of the Maritime Brewing Company. Overall shareholders' equity increased by \$4.5 million from the restated 1999 ending equity total as the earnings for the year of \$9.0 million exceeded the net decrease resulting from the above transactions.

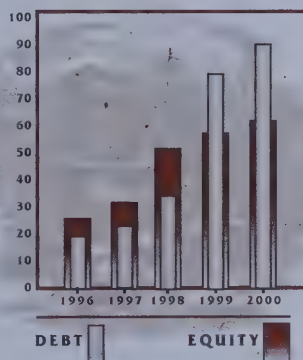
Operating cash flows for 2000 grew to \$17.9 million from \$15 million. This increase resulted from higher net income in 2000 augmented by increased non-cash charges for depreciation and amortization.

Investing activities consumed \$17.3 million in 2000 which is down substantially from the \$53.8 million consumed in 1999. The Company spent approximately \$40 million in 1999 on the acquisition of the former Stroh brand license. No such major investment occurred in 2000.

Financing activities generated \$5 million in 2000 compared to \$47 million in 1999 for a decrease of \$42 million. The company borrowed approximately \$40 million in 1999 to finance the acquisition of the former Stroh brand license. As no such major investment occurred in 2000, no related new borrowing was necessary.

The Company ended the year with an operating line of credit balance of \$9.9 million. The authorized operating credit line limit is currently \$18 million. In 2001, the Company will borrow the funds necessary to finance new capital expenditures in the year from long term

DEBT VS EQUITY (\$ in millions)



loan facilities. Operating cashflow will be used to repay \$15.5 million of long term debt in the year with remaining operating cashflow to be used to reduce the Company's operating line of credit balance.

RISKS AND UNCERTAINTIES

The Company considers its main competitors to be other participants in the beer markets in Canada, which include imported beer and specialty and value beers brewed by both small regional brewers and the national brewers. The markets for beer sales in all Canadian provinces are increasingly competitive. Existing regional breweries and craft brewers are increasing their production capacities and marketing programs. National brewers are aggressively promoting their own specialty and value brands as well as premium import brands. The Company must compete effectively with these competitors to continue to grow volumes and profitability.

The Company will begin to market and sell certain brands in certain U.S. markets in 2001. The U.S. market is ten times the size of that of Canada, but is more competitive than the Canadian market. The Company will prudently enter this market to minimize its financial risks given the uncertain likelihood of success in this new and highly competitive market. Successful results in this market would provide the Company with a significant opportunity to increase volumes and profitability in the future.

Management believes that the Company has the resources to continue to compete, and in fact, grow in each major Canadian beer market as well as in a well defined segment of the U.S. market. The Company is currently the largest craft brewer in Canada and thus leads this growing segment of the market which represents 6% of total Canadian beer sales of some \$7 billion. The Company is also a significant competitor in the growing value beer business as a result of the former Stroh brand license acquisition in 1999. Value beer sales represent approximately 20% of all beer sales in Canada. The Company's presence in these two growing segments of the beer market in both eastern and western Canada leaves it well positioned to compete effectively and profitably.

Again in 2001, the further integration of the former Stroh brands represents both a risk and an opportunity for the Company. The risk lies in the execution of these integrations as transitional delays or problems will reduce the profitability of the Company when significant EBITDA is required to service historically high debt levels. Successful further integration of these brands will allow the Company to improve its operating efficiencies and profitability.

The Company purchases a portion of its value brand products from U.S. based suppliers. Until such time that the Company in-sources a higher percentage of these products, the Company is subject to the risks of those suppliers encountering financial or operational difficulties.

Various permits, licences and approvals necessary for the operation of the Company are required from various agencies, including the LCBO (the Liquor Control Board of Ontario), the British Columbia Liquor Distribution Board, the SAQ (Société d'Alcool de Quebec) and Canada Customs and Revenue Agency-Excise. Management believes that the Company is currently in compliance with all license and permit terms and conditions and that the Company has the necessary approvals for current operations.

The quarterly operating results of the Company have in the past varied due to the seasonality of beer sales. The Company historically experienced higher sales during summer months depending on weather conditions and holidays. Management expects this trend to continue in the future.

FINANCIAL INSTRUMENTS

The Company enters into contractual agreements involving financial instruments to hedge underlying exposures in foreign exchange, interest rate and commodity markets.

The Company purchases significant amounts of value beer products from a U.S. supplier for sale into Canada. These purchases are denominated in U.S. dollars. To hedge these U.S. dollar purchases, the Company periodically enters into foreign exchange forward contracts and foreign exchange collar agreements with large Canadian financial institutions. At December 30, 2000, the Company had no such contracts in place.

At December 30, 2000, the Company had entered into interest rate swaps and a cash settlement corrugating medium commodity swap with various large Canadian financial institutions with varying terms and conditions. A full summary of these contractual obligations is included in the notes to the audited financial statements.

On January 31, 2001, the company entered into a cash settlement commodity swap for aluminum with a large Canadian financial institution. The Company entered into this transaction to fix the underlying raw material cost of its can purchases. A full summary of this contractual obligation is included in the notes to the audited financial statements.

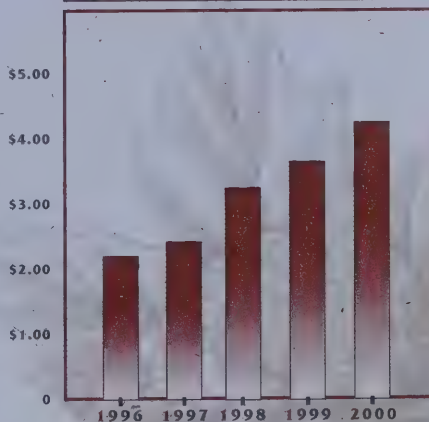
OUTLOOK

Management is focused on continuing to improve performance in 2001. The introduction into the U.S. will provide the Company with an opportunity to reach more beer consumers than ever before. The limited scope of the introduction will ensure that the Company's proceeds in a prudent and measured way.

The expanding portfolio of premium imported brands the Company represents will allow the Company to profitably participate in the Canadian import segment, the fastest growing segment of the North American beer market. The Company continues to pursue other premium import brands that would further complement our current stable of import and domestic premium beers.

By the end of 2001, the Company expects to be producing 80% of the former Stroh brands in its own plants. The successful commissioning of the new can line in Guelph and the addition of significant new tank capacity in eastern and western Canada will allow the Company to reduce its third party supplier risk, maximize purchasing and operating efficiencies and further improve per unit Stroh brand profitability.

NET BOOK VALUE PER SHARE (dollars)



AUDITORS' REPORT

To the Shareholders of Sleeman Breweries Ltd.

We have audited the consolidated balance sheets of Sleeman Breweries Ltd. (the "Company") as at December 30, 2000 and December 25, 1999 and the consolidated statements of earnings and retained earnings and cash flows for the fiscal years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 30, 2000 and December 25, 1999 and the results of its operations and its cash flows for the fiscal years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Guelph, Ontario

February 23, 2001

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

		December 30 2000	December 25 1999
Assets			Restated -see notes (2 (g), (h))
Current			
Accounts receivable		\$ 22,010	\$ 17,364
Income taxes recoverable		226	620
Inventories	(Note 4)	13,641	14,404
Prepaid expenses		2,122	1,744
		37,999	34,132
Property, plant and equipment	(Note 5)	58,407	48,596
Long-term investments	(Note 6)	8,090	3,310
Intangible assets	(Note 7)	77,683	80,133
		<u>\$ 182,179</u>	<u>\$ 166,171</u>
Liabilities			
Current			
Bank indebtedness	(Note 8)	\$ 9,885	\$ 8,446
Accounts payable and accrued liabilities		14,547	16,317
Current portion of long-term obligations	(Note 9)	15,342	6,699
		39,774	31,462
Long-term obligations	(Note 9)	74,645	74,524
Future income taxes	(Note 10)	5,206	2,106
		<u>119,625</u>	<u>108,092</u>
Share capital	(Note 10)	38,196	39,477
Retained earnings		24,358	18,602
		<u>62,554</u>	<u>58,079</u>
		<u>\$ 182,179</u>	<u>\$ 166,171</u>

Approved by the board:



Pierre Des Marais II, Director



John Withers, Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(in thousands of dollars except per share amounts)

	December 30 2000	December 25 1999 Restated -see notes (2 (g), (h))
Net revenue	\$ 141,466	\$ 96,110
Cost of goods sold	78,351	48,157
Gross margin	63,115	47,953
Selling, general and administration expenses	36,652	28,407
Earnings before interest, income taxes, depreciation and amortization	26,463	19,546
Depreciation and amortization expenses	6,371	4,919
Interest expense	6,773	3,758
Earnings before taxes	13,319	10,869
Income taxes (Notes 2 (g) and 10)	4,350	4,320
Net earnings	8,969	6,549
Retained earnings, beginning of year as previously reported	18,602	13,105
Effect of change in accounting policy (Notes 2 (g) and 10)	—	(1,052)
Retained earnings, beginning of year as restated	18,602	12,053
Adjustment related to shares repurchased (Note 11)	(3,213)	—
Retained earnings, end of year	\$ 24,358	\$ 18,602
Earnings per share – basic		
Basic (Notes 2 (h) and 13)	\$ 0.58	\$ 0.42
Diluted (Notes 2 (h) and 13)	\$ 0.58	\$ 0.41

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

	December 30 2000	December 25 1999 Restated -see notes (2 (g), (h))
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	\$ 8,969	\$ 6,549
Items not affecting cash		
Depreciation and amortization	6,371	4,919
Deferred income taxes	3,100	3,520
Gain on disposal of equipment	(586)	(33)
	17,854	14,955
Changes in non-cash operating (Note 14) working capital items	(5,432)	(8,163)
	12,422	6,792
Investing		
Business acquisitions (Note 3)	(1,054)	(4,136)
Acquisition of former Stroh brands license (Note 3)	—	(40,309)
Additions to property, plant and equipment	(11,433)	(9,266)
Additions to intangible assets	(846)	(675)
Additions to long term investments (Note 6)	(4,780)	—
Proceeds from property, plant & equipment disposal	807	568
	(17,306)	(53,818)
Financing		
Net proceeds from bank operating loans	1,438	5,899
Stock options exercised	—	203
Common shares repurchased (Note 11)	(5,168)	(49)
Long-term obligations – proceeds	15,280	48,490
Long-term obligations – principal repayments	(6,666)	(7,517)
	4,884	47,026
Net cash flow and cash balance, end of year	—	—
Supplemental disclosures of cash flows:		
Interest paid	\$ 6,663	\$ 3,515
Income taxes paid, net of cash refunds of \$225 (1999 – \$97)	\$ 858	\$ 1,700

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description Of Business

The Company develops, produces, imports, markets and distributes beer for sale to provincial liquor distribution organizations and entities engaged in the food and beverage industries within Canada.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following policies:

a) Basis of consolidation

The consolidated financial statements include the accounts of Sleeman Breweries Ltd. and all its subsidiary companies. All significant inter-company transactions have been eliminated.

b) Inventories

Raw materials, work-in-process and finished goods are valued at the lower of cost and net realizable value. Returnable containers are recorded at cost net of deposit liability and are amortized over their useful lives.

c) Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation generally is calculated using the diminishing-balance method at the following rates:

Plant	5%
Machinery and equipment	5% to 50%
Office equipment	20%
Leasehold improvements	Straight-line over the lease term, normally one to five years

d) Long-term investments

Long-term investments include a minority interest investment recorded at cost, less a provision for any permanent decline in value.

e) Intangible assets

Intangible assets are recorded at cost and are amortized on a straight-line basis over the following periods:

Trademarks, brands and licenses	10 to 30 years
Deferred charges	2 to 5 years
Goodwill	30 years

e) Intangible assets (continued)

Management assesses the carrying values of intangible assets on a quarterly basis for possible impairment. Management has determined that no permanent impairment in the carrying values of intangible assets exists based on the projected future income streams of the related businesses or assets acquired.

f) Revenue recognition

Revenue is recognized upon delivery of product to the customer.

g) Income taxes

On December 26, 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants Handbook (the "Handbook") Section 3465, Accounting for Income Taxes. Under the new recommendations, the liability method of tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the rate in effect in the year the difference originated. The adoption of the new recommendations has been applied retroactively and has resulted in the restatement of fiscal 1999 results for previously unrecognized tax assets resulting from prior acquisitions (see Note 10). There was no material impact of applying the new recommendations in the current year.

h) Earnings per share

In the fourth quarter of 2000, the Company retroactively adopted the new recommendations of Handbook Section 3500; Earnings Per Share. Consequently, the prior year's earnings per share information has been restated. Under the new recommendations, basic and diluted earnings per share have been computed using the weighted-average number of shares of common shares outstanding during each period. Diluted earnings per share amounts reflect the effect of potentially dilutive securities, including stock options, when dilutive, under the treasury stock method. Prior to the adoption of the new recommendations, diluted earnings per share was calculated by adjusting basic earnings per share for the effect of all dilutive securities outstanding and imputing interest income on cash proceeds derived from the exercise of such securities. The result of applying the new recommendations did not have a material impact on earnings per share. (see Note 13).

i) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ materially from those estimates and assumptions.

j) Fiscal year end

The Company has a floating fiscal year end which ends on the last Saturday of each calendar year.

3. Acquisitions

Fiscal year ended December 30, 2000

On September 28, 2000, the Company completed the acquisition of all of the operating assets of the Maritime Beer Company. In exchange, the Company paid cash of \$1,054 which included acquisition costs, issued 107,613 shares with a fair market value of \$675 and assumed a vendor take-back loan with a value of \$150 (see Note 9 (iv)). The net assets acquired, using the purchase method of accounting, were as follows:

Cash paid, shares issued and vendor take-back loan	\$ 1,879
Assigned to the fair value of net assets acquired:	
Current assets	375
Property, plant and equipment	1,650
Intangible assets	25
Current liabilities	(171)
	\$ 1,879

Fiscal year ended December 25, 1999

On January 14, 1999, the Company completed the acquisition of all of the shares of 3536271 Canada Inc. ("Shaftsbury"). In exchange, the Company paid cash of \$4,011 which included acquisition costs and assumed a vendor take-back loan with a discounted value of \$6,041 (see Note 9 (iii)). The net assets acquired, using the purchase method of accounting, were as follows:

Cash paid and vendor take-back loan	\$ 10,052
Assigned to the fair value of net assets acquired:	
Current assets	1,415
Property, plant and equipment	750
Intangible assets	8,049
Current liabilities	(162)
	\$ 10,052

On September 10, 1999, the Company entered into an agreement with Pabst Breweries for the exclusive right to brew and sell certain former Stroh brands in Canada. In exchange, the Company paid cash of \$38,000 and issued 150,000 shares valued at \$1,013. In addition, the Company paid cash totalling \$2,309 for the fair value of other assets, which primarily included inventory.

4. Inventories

	December 30 2000	December 25 1999
Finished goods and work-in-progress	\$ 7,887	\$ 7,916
Raw materials	1,394	1,357
Returnable containers, net of deposit liabilities	4,360	5,131
	\$ 13,641	\$ 14,404

5. Property, Plant And Equipment

	December 30 2000	December 25 1999
<i>Cost</i>		
Land	\$ 1,782	\$ 1,750
Plant	15,445	12,735
Capital projects in process	594	413
Machinery and equipment	52,868	43,389
Office equipment	2,309	1,951
Leasehold improvements	371	365
	73,469	60,603
<i>Accumulated depreciation</i>		
Plant	3,515	3,005
Machinery and equipment	9,537	7,364
Office equipment	1,639	1,347
Leasehold improvements	371	291
	15,062	12,007
	\$ 58,407	\$ 48,596

Depreciation on property, plant and equipment totalled \$3,052 (1999 – \$2,750).

6. Long Term Investments

	December 30 2000	December 25 1999
Minority investment recorded at cost	\$ 3,310	\$ 3,310
Loans to executives	4,780	–
	\$ 8,090	\$ 3,310

During the year ended December 30, 2000, the Company entered in to loan agreements with certain senior executives to enable the executives to purchase shares of the Company on the open market. These loans have principal amounts totalling \$4,780, bear interest at 6% per annum and are repayable in full including all accrued interest at the earliest of: (i) 5 years from the date of the loan advance; (ii) the date of the sale of the shares by the executive(s); and (iii) the date the executive ceases employment with the Company. The Company has a first security position

over the shares purchased. At December 30, 2000, \$20 of accrued interest was owing to the Company by the executives and the market value of the shares purchased was \$4,651.

7. Intangible Assets

	December 30 2000	December 25 1999
Goodwill	\$ 39,076	\$ 40,531
Trademarks, brands and licenses	37,666	38,895
Deferred charges	941	707
	<u>\$ 77,683</u>	<u>\$ 80,133</u>

Amortization of intangible assets totalled \$3,319 (1999 - \$2,171).

8. Bank Indebtedness

At December 30, 2000, the Company had utilized \$ 9,885 of an authorized operating line of credit of \$18,000 (1999 - the Company had utilized \$8,446 of an authorized operating line of credit of \$18,000) provided by a Canadian chartered bank. The line of credit bears interest at prime and is secured under the same terms as described in Note 9 (i). At December 30, 2000, the bank's prime rate was 7.5% (December 25, 1999 - 6.5%).

9. Long-term Obligations

	December 30 2000	December 25 1999
(i) Non-revolving term loans provided by a Canadian chartered bank; authorized amounts total \$34,379; maturity dates range from May 2001 to December 2005 with interest payable monthly. Interest rates vary from prime plus .75% to prime plus 1.125% on variable rate loans totalling \$10,357 (1999 - prime plus .75% to prime plus 1.125% on variable rate loans totalling \$9,297). Interest rates vary from 6.19% to 6.85% on fixed rate loans totalling \$24,022 (1999 - 6.19% to 6.85% on fixed rate loans totalling \$27,958). Combined monthly principal payments of \$860 (1999 - \$865) are to be made during the six months beginning April of each year.	\$ 34,379	\$ 37,255
(ii) Revolving term loan provided by a Canadian chartered bank, authorized amount of \$52,000 maturing September 30, 2005. Interest is payable monthly at prime plus 0.25%. Quarterly principal payments of \$1,770 are due starting December 31, 2000 (see Note 18 "Interest rate risk").	\$ 52,000	\$ 39,000
(iii) Shaftesbury Vendor Take Back Loan - The non-interest bearing loan is repayable in quarterly payments of \$438 from March 31, 1999 to December 31, 2002. Interest is imputed using a discount rate of 7.35%.	\$ 3,458	\$ 4,968

- (iv) Maritime Vendor Take Back Loan-Non-interest bearing loan repayable on April 1, 2004. The amount payable may increase from a minimum of \$150 if certain volume objectives are met at the production facility in the 2003 fiscal year.

	\$ 150	\$ -
	\$ 89,987	\$ 81,223
Less amount due within one fiscal year	\$ 15,342	\$ 6,699
	\$ 74,645	\$ 74,524

Security provided to two Canadian chartered banks on a pro rata basis is comprised of a general assignment of book debts; a security agreement over all inventories; a general security agreement over all present and future personal property; and collateral mortgages on land and buildings in Guelph, Ontario and Vernon, British Columbia.

Interest charges on long-term obligations during the period totalled \$5,824 (1999 - \$3,557). The debt facilities are subject to certain financial covenants. The Company complied with all covenants at December 30, 2000.

Principal payments required during the next five fiscal years are as follows:

2001	15,342
2002	20,183
2003	13,961
2004	14,541
2005	25,960
	\$ 89,987

10. Income Taxes

The components of the provision for income taxes are as follows:

	December 30 2000	December 25 1999
Current income taxes	\$ 1,250	\$ 800
Future income taxes	3,100	3,520
	\$ 4,350	\$ 4,320

The components of future tax assets and liabilities are as follows:

	December 30 2000	December 25 1999
Future income tax asset:		
Accumulated tax losses available for carry-forward	\$ 1,274	\$ 2,974
Future income tax liabilities		
Difference between tax and accounting basis of property, plant and equipment	6,420	4,735
Other	60	345
	\$ 6,480	\$ 5,080
Net future tax liability	\$ 5,206	\$ 2,106

The provision for income taxes differs from the provision amount calculated at combined statutory federal and provincial tax rates for the following reasons:

	December 30 2000	December 25 1999
Combined statutory federal and provincial income tax rate	42.7%	42.4%
Provision of income taxes at the statutory rate	\$ 5,687	\$ 4,609
Manufacturing and processing deduction	(885)	(781)
Large Corporations tax	300	122
Permanent differences between accounting income and income for tax purposes	500	406
Effects of substantively enacted tax rate changes	(602)	-
Other adjustments	(650)	(36)
	\$ 4,350	\$ 4,320

At December 30, 2000, the Company had approximately \$3,440 (December 25, 1999 - \$7,361) in losses carried forward, which are available for deduction against taxable income of future years. The benefit of this item has been fully recorded in these financial statements.

On December 26, 1999, the Company retroactively adopted the liability method for income tax accounting (see Note 2 (g)). Accordingly, the financial statements for the fiscal year ended December 25, 1999 have been restated to give effect to the new accounting policy. The change in accounting policy resulted in adjustments, reflecting the cumulative effect of the change in accounting policy, to the following account balances as at December 27, 1998: retained earnings was reduced by \$1,052; future income tax assets were increased by \$848; and goodwill was reduced by \$1,900. In addition, during the year ended December 25, 1999, the change in accounting policy resulted in a decrease in net earnings of \$848 due to utilization of tax losses which had been fully recognized as a result of the change in accounting policy (see Note 13).

11. Share Capital

	December 30 2000	December 25 1999
Common shares	\$ 38,196	\$ 39,477

The authorized share capital of the Company consists of an unlimited number of common shares. At December 30, 2000, there were 15,167,422 (December 25, 1999 - 15,844,830) shares outstanding.

On September 28, 2000, the Company issued 107,613 common shares with a fair value of \$675,000 to the vendors of Maritime Beer Company (See Note 3).

On December 7, 1999, the Company announced its intention to make a Normal Course Issuer Bid through the facilities of the Toronto Stock Exchange to purchase up to 792,621 of its issued and outstanding common shares over a twelve-month period. All common shares purchased by the Company in connection with the bid were cancelled. At December 30, 2000, the Company

had purchased the maximum number of shares permitted under the Normal Course Issuer Bid for total cash consideration of \$5,217 (\$5,168 of this amount was paid in the year ended December 31, 2000). During the year ended December 30, 2000 an amount of \$3,213 was charged to retained earnings which reflected the excess of total cash payments over the average paid-in value of the shares repurchased.

12. Stock Option Plan

The Company maintains a discretionary employee stock option plan. Under the terms of the plan, the board of directors determines stock option allocations to employees. Stock options generally have a term of five to ten years and each grant typically vests one-third per year over the following three years.

A summary of the status of the Company's stock option plan as of December 30, 2000 and December 25, 1999 and changes during the years then ended is as follows:

	2000		1999	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Outstanding, at beginning of year	1,549,327	\$7.21	1,393,232	\$7.04
Granted	67,200	\$7.80	267,600	\$7.78
Exercised			(43,621)	\$4.80
Forfeited	(37,409)	\$7.26	(67,884)	\$7.36
Outstanding, at end of year	1,579,118	\$7.24	1,549,327	\$7.21

A summary of the options issued and exercisable as at December 30, 2000 is as follows:

Options outstanding			Options Exercisable		
Exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$5.00	165,000	4.3 years	\$5.00	165,000	\$5.00
\$7.00	493,618	6.01 years	\$7.00	484,708	\$7.00
\$7.75	695,900	6.84 years	\$7.75	433,817	\$7.75
\$7.80	224,600	3.85 years	\$7.80	53,267	\$7.80
	1,579,118			1,136,792	

13. Earnings Per Share

	Fiscal year ended	
	December 30 2000	December 25 1999
Numerator for basic and diluted earnings per share:		
Earnings available to common shareholders	\$ 8,969,000	\$ 6,549,000
Denominator for basic earnings per share:		
Weighted average shares outstanding	15,551,295	15,733,024
Denominator for diluted earnings per share:		
Weighted average shares outstanding	15,551,295	15,733,024
Dilutive stock options	37,093	75,242
	15,588,388	15,808,266
Net earnings per share:		
Basic	\$ 0.58	\$ 0.42
Diluted	\$ 0.58	\$ 0.41

The change in accounting policy related to accounting for income taxes (see Notes 2 (g) and 10) decreased net earnings reported in 1999 by \$848, or \$.05 per share.

14. Changes In Non-cash Operating Working Capital Components

	2000	1999
Accounts receivable	\$ (4,455)	\$ (7,066)
Inventories	946	1,293
Prepaid expenses	(378)	(442)
Accounts payable and accrued liabilities	(1,939)	(992)
Income taxes	394	(956)
	\$ (5,432)	\$ (8,163)

15. Lease Commitments

The Company rents premises, trucks, phones and computers under various lease agreements. Minimum payments exclusive of realty taxes and other occupancy charges for the next five fiscal years are as follows:

2001	\$ 3,035
2002	2,013
2003	1,495
2004	1,214
2005	715
	\$ 8,472

16. Segmented Information

Sleeman Breweries Ltd. is the largest craft brewery in Canada, producing and marketing several unique brands of beer. The Company operates breweries in Guelph, Ontario, Boucherville, Quebec, Calgary, Alberta, Halifax, Nova Scotia and Vernon, British Columbia. The Company's reportable segments represent the aggregation of strategic business units that produce and sell beer in distinct geographic markets. They are managed separately because each business operates in different market environments in terms of regulatory regimes, customer preferences and sales and distribution channels.

The Company has two reportable segments: Eastern Canadian operations and Western Canadian operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company accounts for inter-segment sales and transfers at the transferring segment's cost. Segment performance is evaluated based on earnings before interest, income taxes, depreciation and amortization ("EBITDA").

The following tables set forth information about segment profit or loss and segment assets:

	Eastern Canada	Western Canada	Totals
2000			
Revenues from external customers ^(a)	\$ 97,528	\$ 43,938	\$ 141,466
Inter-segment revenues	6,391	333	6,724
EBITDA	17,595	8,868	26,463
Depreciation and amortization	3,813	2,558	6,371
Segment assets ^(b)	122,207	59,746	181,953
Expenditures for capital assets	10,644	2,439	13,083
1999			
Revenues from external customers ^(a)	\$ 68,268	\$ 27,842	\$ 96,110
Inter-segment revenues	3,543	217	3,760
EBITDA	15,702	3,844	19,546
Depreciation and amortization	2,793	2,126	4,919
Segment assets ^(b)	101,671	63,880	165,551
Expenditures for capital assets	7,690	1,576	9,266

(a) The Eastern Canada segment generated foreign revenues of \$ 97 (1999 - \$ 113). In 2000, one significant customer accounted for 38% (1999 - 45%) of revenue; another significant customer accounted for 16% (1999 - 16%) of revenue.

(b) All assets are located in Canada. Income taxes recoverable totalling \$226 (1999 - \$620) were not allocated to segments.

17. Financial Instruments

Fair value

At December 30, 2000 and December 25, 1999, the estimated fair market value of accounts receivable, accounts payable and bank indebtedness was equal to the book value given the short-term maturities of the items.

Long-term investments include a minority interest investment. Management has reviewed the carrying value and determined that a permanent impairment in the value of the long-term investment does not exist.

The estimated fair value of long-term debt approximates the book value as substantially all the debt bears interest at market rates as at December 30, 2000.

Credit risk

At December 30, 2000, accounts receivable included approximately \$7,602 (1999 - \$8,630) due from four customers (1999 - four customers), representing 35% (1999 - 50%) of the trade receivable balance. The Company is not exposed to significant credit risk relating to the remaining accounts receivable given the relative size of individual customer amounts due to the Company. The Company also had a net receivable totalling \$1,429 (1999 - \$2,860) from a supplier of imported beer.

Foreign exchange risk

At December 30, 2000, and December 25, 1999, the amounts included in accounts receivable and accounts payable due in foreign currencies were not significant. Substantially all the Company's revenues are denominated in Canadian dollars. The Company periodically enters into foreign exchange contracts and foreign exchange collar agreements to manage risks associated with fluctuations in foreign currency exchange rates for significant expenditures payable in U.S. dollars. No such contracts existed at December 30, 2000.

Interest rate risk

Approximately one quarter of the Company's long-term debt effectively bears interest at variable rates, after taking into account the effect of interest rate swaps. Consequently, the Company is exposed to interest rate risk associated with these obligations. The Company periodically enters into interest rate swap agreements to manage risks associated with fluctuations in interest rates:

At December 30, 2000, the Company had entered into interest rate swaps with a large Canadian bank on notional principal amounts of \$13,650 maturing December 1, 2003 and \$13,650 maturing on December 1, 2004. The first interest rate swap fixes the Company's interest rate for the term of the agreement effectively at 6.89% while the second interest rate swap fixes the Company's interest rate for the term of the agreement at 7.00%. The notional amounts of the two swap agreements do not materially reduce for the term of each agreement. At December 30, 2000, the fair value of the interest rate swaps was \$(419).

At December 30, 2000, the Company had entered into 3 interest rate swaps with another large Canadian bank. The details of these swaps are as follows:

Swap Facility	Start Date/ End Date	Notional Principal Amount	Fixed Rate to be Paid	Details of Notional Principal Reductions
1	July 4/00 June 1/05	\$5,000	6.98%	None for duration of contract
2	Dec 21/00 Dec 23/02	\$10,000	5.7%	\$2,000 Apr 22/02 \$2,000 July 22/02 \$1,000 Sept 23/02
3	May 22/01 Dec 21/05	\$11,000	5.94%	None for duration of contract

Cash settlements on the above fixed rate swaps occur monthly and are calculated based on rolling 30-day Bankers' Acceptance rates. At December 30, 2000, the fair value of the interest rate swaps was \$(475).

Use of other derivative instruments

On December 30, 2000, the Company was party to a cash settlement commodity swap for corrugating medium with a large Canadian bank. The Company entered into this transaction to fix the underlying raw material cost of its carton packaging costs. The contract is effective from February 1, 2000 and expires January 31, 2002. Each month during the term of the contract, the Company is obligated to pay U.S. \$418 per short ton and will receive the market price per short ton based on a notional quantity of 1,250 short tons per month (30,000 short tons in total). The agreement provides for a right of off-set with the party owing the higher amount for any given month required to cash settle the difference. On December 30, 2000, the fair value of the commodity swap was \$61.

The Company is the named beneficiary of \$4,000 (1999 - \$4,000) from life insurance policies on the lives of certain executives.

18. Subsequent Events

Derivative contract

On January 31, 2001, the Company entered into a cash settlement commodity swap for aluminum with a large Canadian bank. The Company entered into this transaction to fix the underlying raw material cost of its aluminium can costs. The contract is effective from February 1, 2001 and expires December 31, 2003. Each month, during the first 11 months of the contract, the Company is obligated to pay U.S. \$1,635 per tonne and will receive the market price per tonne based on a varying notional quantities (246 tonnes in total). For the second and third years of the contract, the Company is obligated to pay U.S.\$1,592 per tonne for 532 tonnes and U.S.\$1,564 per tonne for 560 tonnes, respectively. The agreement provides for a right of off-set with the party owing the higher amount for any given month required to cash settle the difference.

FIVE YEAR SUMMARY

	2000	1999	1998	1997	1996
Income Statement					
Net revenue	141,466	96,110	76,023	54,061	39,217
EBITDA	26,463	19,546	15,146	9,318	5,583
EBIT	20,092	14,627	11,449	6,183	3,248
Earnings before Tax	13,319	10,869	9,337	4,741	1,807
Net Income	8,969	6,549*	6,755	3,830	1,482
EPS (diluted)	0.58	0.41*	0.43	0.28	0.14
Balance Sheet					
Total Assets	182,179	166,171*	105,655	71,258	61,968
Equipment & leaseholds	58,407	48,596	41,865	33,365	28,356
Long-term debt	74,645	74,524	29,465	19,156	17,388
Shareholder's equity	62,554	58,078*	51,415	32,461	28,190
Working capital	(1,775)	2,670	(1,201)	1,151	(446)
Ratios					
Current ratio	1.0	1.1	1.0	1.1	1.0
Debt to equity	1.2	1.3*	0.6	0.6	0.6

* Note: 1999 amounts have been restated



OFFICERS AND DIRECTORS

Corporate Officers

John Sleeman
Chairman & Chief Executive Officer

Doug Berchtold
President & Chief Operating Officer

Peter Amirault
Managing Director, Eastern Canada

Rick Knudson
Managing Director, Western Canada

John Driggers
Managing Director, Stroh Canada

Board of Directors

John Sleeman

Chairman & CEO, Sleeman Breweries Ltd.

The great-great grandson of the original Sleeman brewmaster, John revived the family business by reincorporating the Sleeman Brewing & Malting Co. Ltd. in 1985.

Allan Brash

Brewing Consultant, Sleeman Breweries Ltd.

A brewer since 1956, Al joined Sleeman in 1987 after several years with Labatt Brewing where he held a number of posts including Director of International Production.

Ken Hallat

Chairman & CEO, Novas Capital Corporation

Ken is Chairman & CEO of a private venture capital company, Novas Capital Corporation. In addition, he is Chairman of the M-Chem Group of Companies which manufactures and markets industrial cleaners and ancillary products for the North American market.

Richard Scott

Partner, Fraser Milner Casgrain LLP,
Barristers and Solicitors

During his 14 years with a leading law firm, Richard has practised extensively in the areas of corporate and commercial law, mergers and acquisitions and securities law.

John Withers

Private Investor

A private investor in a number of business ventures, John served as the Executive Vice-President and CFO of Allied Strategies prior to its merger with Sleeman Brewing & Malting Co. Ltd.

Pierre Des Marais II

President, Gestion PDM Inc.

A past Chairman, President and CEO of Carling O'Keefe Limited, Pierre has many years of outstanding business experience. He currently sits on the Board of Directors of a number of major corporations.

Ed Prevost

President, Prevost & Associates Inc.

Ed currently provides corporate services to various public and private companies. He is the Canadian associate of Einhorn Associates Inc. (a U.S. based mergers and acquisitions company), and the President of Prevost & Associates Inc. (a strategic planning and family succession company), since 1998. Earlier, Ed was the President and Chief Executive Officer of La Brasserie O'Keefe Limitée and the senior Vice-President of Carling O'Keefe Breweries Ltd.

CORPORATE AND INVESTOR INFORMATION

Corporate Office

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N1L 1E9
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Fax: 519-822-0430

Independent Auditor

Deloitte & Touche LLP, Guelph

General Counsel

Fraser Milner Casgrain LLP, Toronto

Stock Trading Symbol

Toronto Stock Exchange — ALE

Investor Relations Contact

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IR Website: www.ale-sleeman.com

Transfer Agent & Registrar

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100 University Avenue
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M5J 2Y1
Tel: 416-981-9500

Annual Meeting

The Annual Meeting of Shareholders will be held at:
The Ontario Club
30 Wellington Street West
Commerce Court South
Toronto, Ontario
On Wednesday, May 16, 2001 at 4:00 p.m. (EDT)

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